

Message Text

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ACTION COME-00

INFO OCT-01 EA-11 ISO-00 EB-11 STR-08 OMB-01 CIEP-02

TRSE-00 AGR-20 INT-08 TAR-02 SCI-06 FEA-02 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 SAM-01 DRC-01 /151 W

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R 130225Z FEB 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0991

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E.O. 11652: NA

TAGS: EIND, RP

SUBJECT: SHORT SUPPLY PROBLEMS

REF: STATE 23940

1. PHILIPPINES HAS PLACES CONTROLS ON EXPORTS OF BASIC INDUSTRIAL COMMODITIES IN THREE DIFFERENT FASHIONS.

2. EFFORTS HAVE BEEN MADE TO PROMOTE EXPORTS OF PROCESSED MATERIALS BY LIMITING EXPORTS OF UNPROCESSED RAW MATERIALS, USING DEVICE OF DIFFERENTIAL EXPORT TAX OR OUTRIGHT BAN. COPRA EXPORTS ARE TAXED AT 6 PERCENT WHILE COCONUT OIL EXPORTS ARE TAXED ONLY AT 4 PERCENT, AND OUTRIGHT BAN OR GREATER TAX DIFFERENTIAL WAS FOR A TIME CONSIDERED (SEE MANILA 11385, OCT. 5, 1973; MANILA 8823, AUG 3, 1973; AND MANILA 7820, JULY 9, 1973). LOG AND POLE EXPORTS ARE TAXED AT 6 PERCENT WHILE LUMBER, VENEER, AND PLYWOOD EXPORTS ARE TAXED AT 4 PERCENT. MORE SIGNIFICANT, A TOTAL BAN ON UNPROCESSED LOG EXPORTS IS BEING PHASED IN (SEE MANILA 1241, NOV 5, 1973). (IT SHOULD BE NOTED THAT PHILIPPINE EXPORT TAX DIFFERENTIALS ENCOURAGING GREATER PROCESSING OF PRIMARY PRODUCTS ARE OFTEN OFFSET BY IMPORT DUTY DIFFERENTIALS IN

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RECEIVING COUNTRIES WHICH FAVOR IMPORT OF UNPROCESSED RAW

MATERIAL.)

3. PHILIPPINES FOLLOWING MARTIAL LAW INTRODUCED "SOCIALIZED PRICING" (MANILA A-92, APRIL 7, 1973), WITH PRICE CONTROLS IMPOSED ON DOMESTIC SALES OF SEVERAL COMMODITIES WHICH ARE ALSO EXPORTED. INCLUDED ARE SUGAR, CEMENT, AND COCONUT OIL. WITH WORLD PRICES RISING AND SUPPLIES, PARTICULARLY OF PRICE CONTROLLED PRODUCTS, MOVING INCREASINGLY INTO WORLD MARKETS, GOVERNMENT DECREED FOR SEVERAL COMMODITIES THAT PORTION OF OUTPUT MUST BE RESERVED FOR DOMESTIC MARKET. THIS NOW APPARENTLY RENDERED MOOT FOR LOGS AND CEMENT BY EXPORT BANS. COCONUT PRODUCT EXPORTERS MUST RESERVE 10 PERCENT OF THEIR EXPORTABLE PRODUCTION FOR DOMESTIC MARKET. QUEDAN SYSTEM FOR SUGAR, LONG IN EFFECT, REQUIRES THAT SPECIFIED PERCENTAGE OUTPUT, DERIVED BY COMPARING ESTIMATED DOMESTIC REQUIREMENT WITH ESTIMATED PRODUCTION, BE RESERVED FOR DOMESTIC MARKET. SHOULD BE NOTED, HOWEVER, THAT PHILIPPINES HAS GOOD RECORD IN MEETING ITS U.S. SUGAR QUOTA.

4. FOLLOWING ONSET OF PETROLEUM CRISIS, PHILIPPINES BANNED CEMENT AND REFINED PETROLEUM EXPORTS. CEMENT INDUSTRY IS A MAJOR FUEL OIL USER. (AFTER PHILIPPINE AIRLINES ENCOUNTERED DIFFICULTIES IN OBTAINING FUEL SUPPLIES AT GUAM, GOP INFORMALLY LIFTED EXPORT BAN TO ALLOW PETROLEUM PRODUCT EXPORTS TO GUAM AND TRUST TERRITORIES.)
SULLIVAN

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